

WATER/ICRJ/FLC/KKL/RHG**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION
AUDIT AND COMPLIANCE BRANCH****RESOLUTION W-4480
July 8, 2004****R E S O L U T I O N****RESOLUTION W-4480. LAKE ALPINE WATER COMPANY (LAWC). REQUEST TO SECURE A LOAN IN THE AMOUNT OF \$1,037,554, AND TO ADD A SURCHARGE TO WATER RATES TO REPAY THE LOAN PRINCIPAL AND INTEREST.****By Advice Letter (AL) No. 65 filed on June 9, 2003.**

SUMMARY

This Resolution authorizes LAWC to enter into a loan agreement with the Department of Water Resources (DWR) to borrow \$1,037,554¹ under the Safe Drinking Water State Revolving Fund (SDWSRF) for water system improvements required by the state Department of Health Services (DHS); and to place in effect thirty days prior to completion of the project, a surcharge on existing water rates to repay the loan principal and interest.

The estimated annual payment for the SDWSRF loan is \$72,974 for the first 10 years and \$65,564 for years 11 to 20.

Notice of AL No. 65 was made by publication in the Commission's Daily Calendar of June 11, 2003. A notice of the proposed rate surcharge² was mailed to each customer on August 16, 2003. Four letters from LAWC's customers were received questioning the project and the surcharge.

¹ LAWC originally requested financing approval for \$934,778 to be provided by DWR and \$192,623 by Central Sierra Bank or a total debt of \$1,127,401. On February 24, 2004, DWR confirmed with staff that DWR is agreeable to finance the whole project with a revised total cost of \$1,037,554. LAWC now requests authority to borrow \$1,037,554 from DWR.

² At that time, the total debt of \$1,037,554 was used to calculate the surcharge. The monthly surcharge reflected on the notice for a ¾" metered customer and a single-family residential flat rate service for the first 10 years is \$14.07 and the next 10 years is \$13.08.

This Commission has established policies regarding the government-financed funding of utility plant – in particular, these policies are enunciated in:

1) Quincy Water Company, D.88973, dated June 13, 1978; 2) Greenbelt Water Company, D.82-07-113, dated July 21, 1982; and 3) East Pasadena Water Company, D.83-12-066, dated December 22, 1983.

BACKGROUND

LAWC, a Class D water utility, operates a water utility subject to the jurisdiction of this Commission. As of April 15, 2004, the system serves a population of approximately 134 permanent residents and up to 2500 during peak seasons through 469 service connections (18 metered customers and 451 flat-rate customers) in the Bear Valley Tract, Tract 1, located three miles west of Lake Alpine, adjacent to State Highway 4 in the western portion of Alpine County. LAWC also provides private fire protection service to 5 customers within its service area.

LAWC currently obtains surface water from Bear Lake, which is on an unnamed tributary of Bloods Creek at the northern end of Bear Valley. Raw water from the lake flows to the existing treatment plant via either the lake drainpipe or a floating siphon depending on the quality of water at various depths of the lake. The current lake water treatment process includes prechlorination, some coagulation, in-line pressure filtration, and pH adjustment. The treated water is stored in four reservoirs with a total storage capacity of about 440,000 gallons.

In 1997, LAWC's plant was unable to adequately treat the high turbidity raw water. Consequently, DHS issued Citation No. 03-10-97C-001 directing the utility to determine if operational deficiencies or treatment equipment deficiencies were responsible for the failure of the plant to comply with the turbidity performance standard.

LAWC's response indicated that shortcomings of the treatment equipment, primarily the inadequacy of the flocculation/sedimentation and filtration processes were responsible for the failure. The lack of pretreatment was a primary contributor to the plant's inability to treat the high turbidity raw water and, since much of the turbidity in the raw water results from glacial till, the current treatment plant equipment cannot adequately treat elevated raw water turbidities.

Additionally, the corrosion control measures currently employed by LAWC have not been adequate to enable compliance with the 90th percentile lead action levels (lead and copper tap monitoring). LAWC received Citation No. 03-10-00C-007 dated October 31, 2000, for exceeding the lead action level.

On December 8, 2000, DHS issued to LAWC Compliance Order No. 03-10-00CO-002 for violation of the surface water treatment regulations. The compliance order formalizes the enforcement of the Surface Water Treatment Regulations in conformity with the compliance program that has been developed to facilitate State Revolving Fund (SRF) financing of the current surface water treatment plant improvement project.

On March 15, 2001, Citation No. 03-10-01C-001 was issued to LAWC for violation of Compliance Order No. 03-10-00CO-002. This citation requires LAWC to obtain the professional assistance needed to design the water treatment plant improvements needed to bring the water system into expeditious compliance with the remaining requirements of Compliance Order No. 03-10-00CO-002 and to develop a compliance plan and an updated schedule by April 15, 2001. The citation included an administrative penalty of \$500 for the failure to comply with the first provision in the Compliance Order.

By AL No. 65 filed on June 9, 2003, LAWC requested authority to borrow a total of \$1,127,401 for its water system improvements. On or about September 22, 2003, DHS notified this Commission that the LAWC construction program has been placed on hold.

On February 11, 2004, LAWC submitted a revised cost estimate of the water treatment plant upgrade and the construction cost of the building to house the treatment plant.

On February 24, 2004, DWR notified staff by e-mail of the new construction loan amount of \$1,037, 554 (this includes the financing of the building to house the treatment plant) earmarked by DWR for LAWC. The contract when issued and executed will provide for a 20-year loan at a 2.39% interest rate. The semiannual principal and interest payments will be approximately \$32,782 and the payments to DWR will begin approximately 6 months after project completion. An accumulation of approximately \$3,705 semiannually during the first ten years of the loan repayment period is required by DWR in order to build a loan repayment reserve fund approximately equal to two semiannual payments.

For the year ended December 31, 2003, LAWC reported that it generated total operating revenues of \$295,568 and net income of \$79,708. The company's balance sheet as of December 31, 2003 is summarized below:

<u>Assets</u>	<u>Amount</u>
Net Utility Plant	\$ 827,526
Construction Work in Progress	107,639
Current Assets	53,018
Deferred Charges	<u>7,679</u>
Total Assets	<u>\$ 995,862</u>
<u>Liabilities & Equity</u>	
Equity	\$ 651,930
Long-Term Debt	40,097
Current Liabilities	69,178
Net Contributions in Aid of Construction	<u>234,657</u>
Total Liabilities & Equity	<u>\$ 995,862</u>

NOTICE AND PROTESTS

By bill insert dated August 16, 2003, LAWC notified its customers of the proposed construction project, the earlier total loan amount of \$1,127,401, and the surcharge rates based on that amount. The notice stated that (1) the water system improvement is mandated by DHS; (2) the monthly bill for a typical ¾" metered customer using 600 cubic feet of water would increase from \$37.36 per month to \$51.43 or 37.7% for the first 10 years and to \$50.44 or 35% for years 11-20; (3) the monthly bill for a single-family residential flat rate customer would increase from \$48.75 per month to \$62.82 or 28.9% for the first 10 years and to \$61.83 or 26.8% for years 11-20. The notice also stated that the proposed surcharge rates are based on estimated loan repayment amounts and may change according to the terms of the final loan agreements.

On August 19, 2003, the proposed project and surcharge rates mentioned above also appeared in the Calaveras Enterprise, a local newspaper of general circulation in the Calaveras County and Western Alpine County.

Four customers wrote to the Commission stating (1) the improvements would increase the owner's equity without any actual investment; (2) the utility has a track record of non-compliance with DHS; (3) the existing ratepayers should not be asked to cover costs of expansion; (4) the ratepayers do not gain anything from the project; (5) each user should pay an equal percentage increase; and (6) water meters should be installed on certain properties.

The Water Division replied to the letters and explained that the surcharge rates will not generate any income to the utility owner; the utility plant financed would be permanently excluded from rate base; there will be a service fee for future customers who will benefit from the expenditures being made from the proceeds of the loan; DHS would monitor the construction; metered service may be requested from the utility; and the computation of the surcharge is based on a formula derived from a rate design (the larger the service, the higher the cost).

DISCUSSION

In order to meet the turbidity standards year-round and to comply with the 90th percentile lead action levels, LAWC proposes to conduct surface water treatment utilizing membrane filtration and conversion of its existing pressure filters into limestone contactors. Specifically, in order to provide redundancy and reliability, two independently operated 48M10C Memcor filtration skids will be provided. Per manufacturer recommendations, each skid will have 48 modules. The treatment plant portion of the proposed project will involve acquisition and installation of a new treatment plant. This will require a new building. Most of the interior of the building has been vacated around the pressure filters to allow access for installation of the membrane treatment units. This will permit the existing pressure filter plant to remain in production while the new facilities are being installed.

The microfiltration treatment process has been evaluated by DHS as an alternative treatment technology and is credited with a 4-log Giardia cysts removal and 0.5-log virus removal. Furthermore, this technology has the ability to physically strain the glacial till from the water producing a treated water turbidity that will consistently meet the turbidity performance standards. The

new filtration facilities will replace the existing in-line pressure filter vessels presently used. These existing pressure filter vessels will be converted into limestone contactors for optimum corrosion control. The treated water will be pumped through the limestone pressure vessels to the distribution system. The existing disinfection facilities, corrosion control facilities, and monitoring equipment will remain intact and operate as part of the overall treatment process. The installation of the treatment facilities will require a new building. Cost associated with the new building, as stated earlier, will now be funded by DWR and will be part of the SDWSRF loan.

The existing pressure filtration vessels will be converted into limestone bed contactors to provide better corrosion control treatment. This treatment along with use of the existing corrosion control equipment will produce treated water that should enable LAWC to meet the lead action levels. Two of the three filter vessels will need to be relocated to allow placement of the package filtration facility. The location of the pressure vessels will be in a row down the middle of the east end of the existing plant. Provisions will be made to add the limestone from within the building during winter. Some upgrades will be performed to the old building to facilitate the rearranging of the filter vessels. A slab will be poured for the filters to stand on, and a roll-up door installed for access into the east end of the building. Some of the north side of the building will be removed.

LAWC believes that the overall project will resolve the current problems experienced with the existing in-line filtration plant by replacing it with a microfiltration membrane treatment plant, which will ensure compliance with current and proposed regulations and will provide redundant filtration capacity. Additionally, control and monitoring of plant functions will be greatly improved.

The project, as described above, would bring LAWC's treatment plant into compliance with the Surface Water Treatment Rule (SWTR) for turbidity performance, approved treatment technology and redundant filtration capacity, and ensure safe drinking water to the community of Bear Valley. The conversion of the pressure filters to limestone contactors should enable the plant to provide treated water that will meet the 90th percentile lead action levels required for lead and copper tap monitoring.

LAWC's estimated construction costs are as follows:

<u>Description</u>	<u>Total</u>
Control Building	\$ 125,982.63
Electrical Work	43,446.78
Alternate	1,225.29
Control System	6,938.50
Plant Piping	53,252.45
Micro Filtration Plant	734,706.21
Chlorine Generator	28,454.10
Existing Building Improvements	22,238.31
Limestone System	16,132.14
Limestone Chips	3,563.21
Interior Refurbish	1,143.45
Exterior Refurbish	<u>471.24</u>
 Total Construction Costs	 <u>\$1,037,554.31</u>

LAWC now seeks authority pursuant to Public Utilities (Pub. Util.) Code § 816 et. seq., and Rule 33 of the Commission's Rules of Practice and Procedure to enter into a loan agreement with, and to issue a promissory note (Note) to DWR in connection with a proposed long-term loan from the SDWSRF in an amount not to exceed \$1,037,554. The interest rate will be 2.39%. It will be payable in equal semi-annual installments over 20 years, with a 10% reserve to be accumulated during the first 10 years. LAWC's obligations under the Note will be secured by all of its assets. The other terms of the Note and loan agreement will still have to be finalized. If either the Note or the loan agreement is finalized before the Commission renders its decision on this AL, LAWC will promptly file the final document(s) as Supplement to this filing. DWR has advised LAWC that the loan agreement will be DWR's standard form of loan agreement.

The annual requirements for debt service for the \$1,037,554 loan will be \$72,974 for years 1-10 and \$65,564 thereafter.

PROPOSED SURCHARGE RATE

In order to make the payments on the SDWSRF loan, LAWC is proposing to impose a surcharge to repay the loan principal and interest. As required by

DWR, the first ten years includes a 10% reserve to build a loan repayment fund equal to two semiannual payments. The surcharge will be in direct proportion to the capacity of each customer's meter or service connection.

LAWC's present rate schedules for water service were authorized by Decision (D.) 92-03-093 effective April 7, 2004³. Below are the increases as a result of the proposed surcharge:

Annual Metered Service:

Quantity Rate : All water, per 100 cu. ft. . . . \$ 1.79

<u>Size of Meter</u>	Present Rate	Present Rate	Proposed Monthly Surcharge			
	Per Meter Per Year	Per meter Per Month	Years 1 – 10	% Inc.	Years 11 – 20	% Inc.
¾" meter	\$ 327.69	\$ 27.31	\$ 12.61	46.2%	\$ 11.33	41.5%
1" meter	452.91	37.74	17.40	46.1%	15.63	41.4%
1 ½" meter	636.09	53.01	24.45	46.1%	21.97	41.5%
2" meter	813.17	67.76	31.26	46.1%	28.09	41.5%
3" meter	1,429.99	119.17	55.04	46.2%	49.45	41.5%
4" meter	1,979.34	164.95	76.11	46.2%	68.41	41.5%

Annual Residential Flat Rate Service

	Present Rate	Present Rate	Proposed Monthly Surcharge			
	Per Connection Per Year	Per Connection Per Month	Years 1 – 10	% Inc.	Years 11 – 20	% Inc.
For a single-family Residential unit including premises	\$596.03	\$49.67	\$12.61	25.4%	\$11.33	22.8%
For each additional Single-family residential unit on the same premises	\$257.67	\$21.47	\$ 5.43	25.3%	\$ 4.87	22.7%

³ D.92-03-093 authorizes Class C and D water utilities to file once each year by Advice Letter for an increase over the prior year's adopted revenue, based on the most recent year-end increase in the Consumer Price Index.

and served from the same
service connection

The monthly bill for a 3/4" metered customer using 600 cubic feet of water (at a quantity rate of \$1.76 per 100 cu.ft.) would increase from \$38.05 to \$50.66 or 33.1% for the first 10 years and to \$49.38 or 29.8% for years 11-20.

The monthly bill for a single-family residential flat rate customer would increase from \$49.67 to \$62.28 or 25.4% for the first 10 years and to \$61.00 or 22.8% for years 11-20.

LAWC filed this AL because the DHS has issued an order requiring the utility to comply with the Surface Water Treatment Regulations. Failure to comply with DHS' order would make LAWC subject to additional judicial action including civil penalties as specified in the California Health and Safety Code (CHSC), Sections 116725.

The DHS, our sister agency and a state agency also responsible for the public health and safety of California residents, is fully equipped to establish and enforce water treatment requirements. Pursuant to Commission General Order No. 103, water utilities are required to comply with the laws and regulations of the state or local DHS. To the extent that DHS should issue compliance orders to water utilities under our jurisdiction, as it has in this instance, it is our responsibility to provide the regulated utility the means to comply with such an order.

We are aware that LAWC will not be able to obtain the SDWSRF loan until it demonstrates that it has the source of funds to be used for repayment of the loan and that such dedicated funds are documented in an order or resolution.

Without the DWR low-cost funding, LAWC will not be able to comply with the requirements of DHS and provide adequate, safe and potable water. To the extent that the source of funds requirement remains a condition in this instance, LAWC's financing request cannot be processed and granted without a surcharge authorization.

The facts are that the surcharge rate serves only to repay the loan, will not generate any income to the utility owners, and will facilitate utility compliance with DHS requirements for safe and potable water. This Commission will authorize LAWC's financing request coupled with the proposed surcharge. The

surcharge will be governed by the conditions we set forth in this Resolution to ensure proper accounting and handling.

As PU Code Section 816 states, the power of public utilities to borrow against utility assets is a “special privilege” that can be granted only by the Commission and the Commission must exercise this privilege appropriately. With a state-funded and rate surcharge type of recovery, the utility or its owners do not personally benefit from the SDWSRF loan. DWR monitors the work and advances funds to a utility periodically as portions of the work are completed (this addresses customer concerns on improvements and project completion and assures that the system will have adequate water supply and better quality of water meeting the safe drinking standards set forth by DHS). The rate surcharge on customers’ water bills will be sufficient only to make the principal and interest and reserve payments on the loan. There will be no profit for the utility owners. The surcharge will last until the loan is repaid.

Clearly, the ratepayers ultimately pay for all water system requirements and improvements, regardless of the manner in which they are financed. If the utility were able to borrow the money to make the water system improvements entirely from regular commercial sources, it would be far more expensive for the ratepayers than the low cost state funded loan. Likewise, if the utility owners invested their own funds to pay for the water system improvements they would be entitled to similar earnings on such funds.

In this Application, LAWC’s proposed plant improvements as required by DHS would be paid through surcharge and the plant would be permanently excluded from ratebase. The surcharge will offset LAWC’s future loan repayments and not contribute to an increased rate of return.

The Commission has authorized utilities to impose a service fee for new service on vacant and undeveloped lots when such authority is coupled with approval of state funded loan surcharges. The amount of the service fee, subject to a maximum amount, would be the accumulated total of the loan rate surcharge from its inception to the time of service connection. Only the monthly surcharge would apply thereafter.

LAWC is authorized in this Resolution to enter into a loan agreement with DWR for the \$1,037,554 and to institute surcharges to customers to repay the loan with the following conditions:

1. To ensure adequate accountability of the loan construction funds advanced by DWR to the utility, LAWC should deposit all such funds into a separate bank account. All disbursements of such DWR loan funds should be made from this bank account.
2. The loan repayment surcharge should be separately identified on customers' bills. The utility plant financed through the surcharge should be permanently excluded from rate base for ratemaking purposes.
3. The bank account should be debited with revenue collected through the surcharge and the accrued interest on the revenue. The bank account should be charged with payments of principal and interest on the loan.
4. LAWC should deposit all rate surcharges collected with a fiscal agent approved by DWR. Such deposits should be made within 30 days after the surcharges are collected from customers.
5. In accordance with DWR requirements, the 10% reserve will be deposited with a fiscal agent to accumulate a reserve of two semi-annual payments over a 10-year period. Earnings of the reserve fund, net of charges for the fiscal agent's services, will be added to the fund. Net earnings of the reserve fund, together with surcharge amounts collected from customers, will be used to meet the semi-annual loan payment.
6. The surcharge should be adjusted periodically to reflect changes in the number of connections. Such changes in future rates should be accomplished by normal advice letter procedures.
7. The surcharge to repay the loan should last as long as necessary to repay the loan. The surcharge should not be commingled with other utility charges.

8. A service fee will be chargeable to customers requesting future services to currently undeveloped lots and will be the accumulated total of the monthly surcharge as applied to the property being furnished water service from the initial effective date of the surcharge to the date of connection. The maximum service fee will be \$2,000. The service fee will be due and payable upon connection of water service to the property. Thereafter the customer shall pay the applicable tariff rates plus the monthly surcharge.
9. In conjunction and in conformance with DHS requirements, LAWC should use competitive bidding for the construction work authorized by this Resolution.

It is appropriate to emphasize that the surcharge thus authorized will cover only the cost of the loan incurred to finance the improvements and additions. It will not preclude any future rate increase requests to recover rising costs of repair, materials, wages, property taxes, power bills, or other operating expenses that may be incurred in the future.

The proposed surcharge rates are based on the proposed loan amount, the annual revenue requirement, and the current number of customers. The surcharge rates may be adjusted according to changes in project costs and service connections. The surcharge rates will be adjusted by advice letter filing and subject to our approval.

This is an uncontested matter in which the Resolution pertains solely to a water company. Accordingly, pursuant to Pub. Util. Code § 311(g)(3), the 30-day period for public review and comment under § 311(g)(1) does not apply.

FINDINGS

1. The proposed treatment plant improvements are needed to provide safe drinking water and reliable water supply in accordance with the requirements of DHS.
2. The SDWSRF loan provides low-cost capital for the needed water system improvements and is a prudent means of acquiring the necessary \$1,037,554 capital.

3. With a state-funded and rate surcharge type of recovery, the utility or its owners do not personally benefit from the SDWSRF loan.
4. The DHS, responsible with the California Public Utilities Commission for the public health and safety of California residents, is best equipped to establish and enforce water treatment requirements.
5. LAWC will not be able to obtain the SDWSRF loan until LAWC demonstrates to DWR that the Commission has approved a rate surcharge in an amount necessary to project compliance with the terms and conditions of the loan.
6. DHS has approved LAWC's proposed treatment plant.
7. The proposed borrowing is for proper purposes.
8. LAWC's proposed surcharge rates would generate approximately \$72,974 annually for the first ten years to repay the principal and interest on the proposed borrowings, and to accumulate a 10% debt reserve. The surcharge rates would generate approximately \$65,564 from years ten to the end of the term.
9. The establishment of a reserve equal to two semi-annual loan payments is required by DWR administrative regulations.
10. The proposed surcharge rates for the first 10 years will increase the water rates by \$12.61 per month for approximately 97.9% of LAWC's customers.
11. Authorizing LAWC to encumber its properties, as security for the loan is not adverse to the public interest.
12. The surcharge rates authorized in Appendices A and B are just and reasonable.
13. The surcharge rates to be established to repay the loan should last as long as necessary to repay the loan. Surcharge revenues would not be commingled with other utility charges.
14. Vacant or undeveloped lots will benefit from the expenditures being made from the proceeds of the loan. The benefits include potentially increased property values and the availability of potable water furnished by a public utility, which meets health standards.
15. It is reasonable to establish a service fee for new connections pertaining to vacant or undeveloped lots since these lots will benefit from these improvements.

16. A maximum lump sum service fee of \$2,000 payable upon connection by customers requesting future services to vacant or undeveloped lots is reasonable.
17. The utility plant financed by the loan should be permanently excluded from rate base for ratemaking purposes.
18. Special accounting requirements are necessary to ensure that there are no unintended windfalls to the utility owners. The rate surcharge should be adjusted periodically to reflect changes in the number of connections.
19. LAWC should review annually the rate surcharge and adjust as necessary, by the advice letter procedure, the rate surcharge to reflect changes resulting in overages and shortages in the bank account.
20. LAWC should pay the fee determined in accordance with Public Utilities Code § 1904(b).

THEREFORE, IT IS ORDERED THAT:

1. Lake Alpine Water Company, Inc. on or after the effective date of this order, is authorized to borrow up to \$1,037,554 under the Safe Drinking Water State Revolving Fund for a period of twenty years at 2.39 percent interest; to execute and deliver the loan contract with the California Department of Water Resources; to encumber its assets in connection with the loan; and to use the proceeds for the purposes specified in Advice Letter No. 65.
2. Lake Alpine Water Company is authorized to file in accordance with General Order No. 96-A, thirty days prior to completion date of the project as verified by the Water Division, an advice letter which implements the rate surcharges to customers attached to this order as Appendices A, B, and C. The filing shall become effective on five days' notice.
3. The utility plant or asset financed through the loan shall be permanently excluded from rate base for ratemaking purposes.
4. The surcharge rates shall be effective until funds sufficient to repay the loan principal have been accumulated, or until further order of the Commission.
5. Lake Alpine Water Company shall file with the Water Division a copy of the California Department of Water Resources loan agreement within 15 days of execution.

6. Lake Alpine Water Company shall use competitive bidding for the construction work authorized herein. No contracts shall be awarded to any affiliated company or person.
7. Lake Alpine Water Company shall establish and maintain a separate bank account, to ensure adequate accountability of deposits and disbursements of the Safe Drinking Water State Revolving Fund loan construction funds advanced by the California Department of Water Resources to the utility.
8. A separate line pertaining to the each surcharge shall appear on each customer's water bill issued by Lake Alpine Water Company.
9. As a condition of the surcharge rate granted herein, Lake Alpine Water Company shall be responsible for refunding or applying on behalf of the customers any surplus accrued in the bank account when ordered by the Commission.
10. To assure repayment of the loan, Lake Alpine Water Company shall deposit all rate surcharges collected with a fiscal agent approved by the California Department of Water Resources. Such deposits shall be made within thirty days after the surcharges are collected from customers.
11. On or before July 31, 2005, and semi-annually thereafter, for as long as the surcharge is imposed, Lake Alpine Water Company shall send a comparative report to the Director of the Water Division stating the changes in the number of connections by type of customer and by size of connection, the amount of service fee collected, the outstanding balance of the loan, and the overages and shortages in the utility's balancing account. Lake Alpine Water Company shall also indicate in the report if an advice letter will be forthcoming to reflect changes in the surcharge rate.
12. The authority granted by this order shall become effective when Lake Alpine Water Company pays \$2,038⁴, the fee set forth by Public Utilities Code § 1904.
13. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on July 8, 2004; the following Commissioners voting favorably thereon:

⁴ The amount subject to the fee is \$1,037,554. The fee is determined as follows: $(\$2 \times (1,000,000/1,000)) + (\$1 \times (37,554/1,000)) = \$2,038$.

WILLIAM AHERN
Executive Director

APPENDIX A

Schedule No. 1B

METERED SERVICE SURCHARGE

APPLICABILITY

Applicable to all metered service. This surcharge is specifically for the repayment of the Safe Drinking Water State Revolving Fund (SDWSRF) loan as requested in Advice Letter No. 65 filed on June 9, 2003.

TERRITORY

Bear Valley tracts, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

SDWSRF LOAN REPAYMENT SURCHARGE

Size of Service or Meter	<u>Years 1-10</u>	<u>Years 11-20</u>
	Monthly Surcharge	Monthly Surcharge
¾-inch meter	\$ 12.61	\$11.33
1-inch meter	17.40	15.63
1 ½-inch meter	24.45	21.97
2-inch meter	31.26	28.09
3-inch meter	55.04	49.45
4-inch meter	76.11	68.41

SPECIAL CONDITIONS

1. This surcharge is in addition to the water bill. The surcharge is specifically for the repayment of the SDWSRF loan authorized by Resolution W-4480.
2. The customers will be billed every quarter each consisting of three months of surcharge payments.
3. The surcharge rates are subject to periodic adjustment.

APPENDIX B

Schedule No. 1C

SAFE DRINKING WATER STATE REVOLVING FUND LOAN
UNDEVELOPED LOT CHARGE

APPLICABILITY

Applicable to undeveloped lots within Bear Valley tracts, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County. This service charge is specifically for the repayment of the Safe Drinking Water State Revolving Fund (SDWSRF) loan as requested in Advice Letter No. 65 filed on June 9, 2003.

RATES

A service charge to provide for reduction of the SDWSRF loan surcharge is chargeable to customers requesting future service to undeveloped lots.

The service charge shall be the accumulated total of the surcharge provided for in the utility's tariff book, as applied to the property being furnished water service from the effective date of this advice letter to the date of connection. The maximum service charge shall be \$2,000. The service charge shall be due and payable upon connection of water service to the lot. The Metered Service surcharge or the Residential Flat Rate Service surcharge authorized by the Commission, as contained in the utility's tariff book will apply thereafter.

APPENDIX C

Schedule No. 3A

RESIDENTIAL FLAT RATE SERVICE SURCHARGE

APPLICABILITY

Applicable to all flat rate residential water service. This surcharge is specifically for the repayment of the Safe Drinking Water State Revolving Fund (SDWSRF) loan as requested in Advice Letter No. 65 filed on June 9, 2003.

TERRITORY

Bear Valley tracts, and vicinity located about three miles west of Lake Alpine adjacent to State Highway 4, Alpine County.

SDWSRF LOAN REPAYMENT SURCHARGE

	<u>Years 1-10</u> Monthly Surcharge	<u>Years 11-20</u> Monthly Surcharge
For a single-family residential Unit including premises	\$ 12.61	\$ 11.33
For each additional single-family residential Unit on the same premises and served from The same service connection	\$ 5.43	\$ 4.87

SPECIAL CONDITIONS

1. This surcharge is in addition to the water bill. The surcharge is specifically for the repayment of the SDWSRF loan authorized by Resolution W-4480.
2. The customers will be billed every quarter each consisting of three months of surcharge payments.
3. The surcharge rates are subject to periodic adjustment.